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RUEHCN/AMCONSUL CHENGDU 1671
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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000025

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E.O. 12958: DECL: 01/12/2019
TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)
SUBJECT: CONTRACT FARMING IN BURMA (C-AL8-02135)

REF: A. CHIANG MAI 175
[1](#)B. 08 STATE 118949

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4 (b and d).

Summary

[11.](#) (U) This is a response to an INR request (Ref B).

[12.](#) (C) Since 2005, the Burmese Government has encouraged investors from China, Thailand, Bangladesh, and Kuwait to invest in contract farms; to date, only the Thais have a formal agreement to farm 120,000 acres along the Thai-Burma border. Over the past six months, several Burmese companies -- Tay Za's Htoo Trading, Zaw Zaw's Max Myanmar, Steven Law's Asia World, and Aung Thet Mann's Aye Ya Shwe Wa -- were given more than 100,000 acres of farmland in the Irrawaddy Delta and Rangoon Division for contract farming. The Ministry of Agriculture denies any land seizures associated with contract farming, saying the government is the sole owner of farmland and takes it away only if farmers do not use it for farming purposes. According to agricultural contacts, the GOB encourages contract farming because private investors help shoulder the costs of improving Burma's dilapidated agricultural infrastructure. There is no information on how much the contract farming investments in Burma are worth.
End Summary.

Why Contract Farming

[13.](#) (SBU) The Burmese Government since 2005 has actively

promoted contract farming, encouraging farmers and businessmen from China, Thailand, Bangladesh, India, and Kuwait, during high level visits and meetings, to invest in Burma's farming industry. According to our agricultural contacts, the Burmese Government views contract farming as a win-win situation. Foreign investors provide Burmese farmers with new equipment and farming inputs in exchange for high-quality agricultural products. Our contacts note that Burmese farmers are permitted to sell any surplus agricultural products for a profit once they meet their contractual obligations, and are not required to give the GOB a cut of the profits garnered from the surplus.

Foreign Interest in Contract Farming

¶4. (C) To date, Thailand is the only country with a signed agreement for contract farming in Burma. In 2005, the Burmese and Thai Governments agreed to allow private Thai farmers to cultivate up to 120,000 acres of beans, corn, sugarcane, and cassava in Karen State, along the Thai-Burma border, for export to Thailand. Contrary to news reports, this document was not a formal MOU; the Thai Embassy confirmed that the Burmese and Thai Governments never signed the final MOU. According to Ministry of Agriculture contacts, Burmese farmers in Karen State enter into agreements with Thai investors: the Thais provide seeds, tools, and other farming inputs to the Burmese in exchange for farm products of a certain value. Our contacts note that these contract farming agreements, often unofficial, benefit both sides. The Thais are able to import high quality produce at low prices and the Burmese farmers obtain new equipment and can sell any remaining food for a profit.

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¶5. (C) While other countries, including Bangladesh, India, and Kuwait, have expressed interest in contract farming in Burma, they have yet to sign MOUs dictating the terms of investment. According to SGS Consultants Managing Director U Kyaw Tin, during a September 2008 trip to Burma, the Kuwaiti Prime Minister relayed his interest in helping the GOB redevelop its fisheries sector, but did not sign a formal agreement, contrary to exile news reports. Meanwhile, the Burmese Government continues to negotiate with Bangladesh over a lease of up to 50,000 acres in Rakhine State for contract farming of corn, rice, and beans. U Kyaw Tin also noted that the GOB offered the Indian Government up to 40,000 acres of land along the border for the joint cultivation of palm oil.

Land Allocation

¶6. (C) According to U Kyaw Tin, the Ministry of Agriculture specifies where the contract farms are to be located. Per the Burma-Thai agreement, Thai farmers, working with the Thai Ministry of Agriculture and Cooperatives, can cultivate up to 120,000 acres, but only in Karen State. He explained that should Thai farmers want to start contract farms in Shan State, for example, the two governments would need a new agreement. U Kyaw Tin noted that Thailand, India and Bangladesh prefer to cultivate land along their borders with Burma because the proximity would lower transport costs.

¶7. (C) Our agricultural contacts doubt whether the Ministry of Agriculture, the GOB Ministry responsible for contract farming, has discussed with farmers the implications of contract farming. According to the Karen Human Rights Group (KHRG), several small-scale farmers living along the Thai-Burma border were evicted so other farmers could work with the Thais. Despite the allegations, the KHRG never reported such forced confiscations to the ILO. Aung Kyaw Htoo, SGS Agricultural Specialist, told us that many farmers in Karen State actually prefer contract farming with the Thais because they receive financial assistance and have a

guaranteed market for their products.

Crony Companies Leading the Way

¶8. (C) During the past six months, the GOB has expanded its potential pool of contract farming investors to include Burmese cronies, U Kyaw Tin told us. Recently, selected companies, including Tay Za's Htoo Trading, Aung Thet Mann's Aye Ya Shwe Wa, Zaw Zaw's Max Myanmar, and Steven Law's Asia World, were given large plots of farmland in the Irrawaddy and Rangoon Divisions for contract farming. According to SGS Consultant contacts, after Cyclone Nargis, the Ministry of Agriculture established a plan to assist farmers who lost their cattle and/or lacked resources to farm by pairing them with the crony company responsible for reconstructing the area. Allegedly, the companies were to provide the farmers with inputs (seeds, cattle, and fertilizer) and the farmers were to repay the companies by December, after they sold their harvest. Until the loans were repaid, the companies would maintain control of the land. U Kyaw Tin noted that because rice prices in November were so low, farmers did not earn as much as expected. Consequently, many were unable to repay the companies. Although farmers have yet to be officially evicted, U Kyaw Tin surmised that it is only a matter of time.

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The Ministry of Agriculture Perspective

¶9. (C) Ministry of Agriculture officials paint their own picture of domestic contract farming. Director General for Agricultural Planning Tin Htut Oo told us that the Ministry is promoting contract farming with private domestic companies to enable farmers to share costs and expand their production.

According to the Ministry, private companies establish informal agreements to provide farmers with inputs and receive payment after harvest. Tin Htut Oo emphasized that the land remains in the hands of the farmers, not the companies. He also explained that, while farmers in Burma have the right to work the land, they never own the land per se. Under Burmese law, the GOB is the sole owner of farmland, and has the right to take possession of land not used for farm purposes -- similar, he claimed, to Vietnam's land use policy. In Burma, farmers are not allowed to sublet the land to other farmers. Tin Htut Oo, acknowledging severe problems for farmers to obtain credit, claimed the Ministry is working to establish a policy whereby farmers would be able to loan their land rights to landless people.

¶10. (C) Tin Htut Oo told us that the stories of the GOB taking land from Delta-based farmers after Cyclone Nargis were not true. In some instances, farmers lacked the ability to purchase farming inputs, so the land was not farmed. In those cases, the land was turned over to the village land committee for temporary redistribution. Since then, some farmers have regained their land, he claimed. (Note: With at least 138,000 cyclone deaths, nearly all in rice-growing areas of the Delta, many farm families undoubtedly lost their lives, not just their ability to purchase inputs.)

An ILO Perspective

¶11. (C) According to Steve Marshall, ILO Liaison Officer, in general the GOB only confiscates land when farmers fail to meet their contractual obligations to farm. While there were many allegations of land confiscation after Cyclone Nargis, the ILO never received a formal complaint and thus could not investigate the validity of the stories. In the case of contract farming, should a farmer enter into a loan agreement with a company and fail to meet the terms of the agreement, the farmer might have little option but to relinquish control of the land, Marshall stated.

Comment

¶12. (C) We will continue to pursue leads on the contract-farming issue. If the process is as benign as Ministry of Agriculture officials describe, it could indeed be a winner for all sides. However, if the bargain is forced or land is simply confiscated, serious human-rights concerns would arise.

¶13. (U) This cable was cleared by Embassy Bangkok and AmConsul Chiang Mai.

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